



| LEA 02                                 | Disclosures<br>Mandatory  | Reason for Interaction  | Principle<br>PRI<br>1,2,3 |
|--|---|---|---------------------------|
| Individual/ internal staff engagements | <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's internal ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> We do not engage via internal staff</p>            | <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's internal ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> We do not engage via collaborative engagements</p> |                           |
| Collaborative engagements              | <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's internal ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> We do not engage via collaborative engagements</p> |   |                           |
| Service provider engagements           | <p><input checked="" type="checkbox"/> To support investment decisionmaking in &amp; company's internal ESG issues</p> <p><input checked="" type="checkbox"/> To influence corporate practice or identify the need for a material or other issue</p> <p><input type="checkbox"/> We do not engage via service providers</p>         |   |                           |

# RI TRANSPARENCY REPORT

## 2016

AS Avaron Asset Management

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2016 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

| Symbol | Status  |
|--------|---|
| ✓      | The signatory has completed all mandatory parts of this indicator |
| ☑      | The signatory has completed some parts of this indicator          |
| 🔒      | This indicator was not relevant for this signatory                |
| -      | The signatory did not complete any part of this indicator         |
| Ⓜ      | The signatory has flagged this indicator for internal review      |

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

| Organisational Overview |   |        |                              | Principle |   |   |   |   |   | General |
|-------------------------|---|--------|------------------------------|-----------|---|---|---|---|---|---------|
| Indicator               | Short description                                   | Status | Disclosure                   | 1         | 2 | 3 | 4 | 5 | 6 |         |
| OO 01                   | Signatory category and services                     | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 02                   | Headquarters and operational countries              | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 03                   | Subsidiaries that are separate PRI signatories      | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 04                   | Reporting year and AUM                              | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 05                   | Breakdown of AUM by asset class                     | ✓      | Asset mix disclosed in OO 06 |           |   |   |   |   |   | ✓       |
| OO 06                   | How would you like to disclose your asset class mix | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 07                   | Fixed income AUM breakdown                          | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 08                   | Segregated mandates or pooled funds                 | 🔒      | n/a                          |           |   |   |   |   |   | ✓       |
| OO 09                   | Breakdown of AUM by market                          | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 10                   | Additional information about organisation           | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 11                   | RI activities for listed equities                   | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 12                   | RI activities in other asset classes                | ✓      | Public                       |           |   |   |   |   |   | ✓       |
| OO 13                   | Modules and sections required to complete           | ✓      | n/a                          |           |   |   |   |   |   | ✓       |

| Strategy and Governance |  |        |            | Principle |   |   |   |   |   | General |
|-------------------------|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator               | Short description  | Status | Disclosure | 1         | 2 | 3 | 4 | 5 | 6 |         |
| SG 01                   | RI policy and coverage   | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 02                   | Publicly available RI policy or guidance documents                 | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 03                   | Conflicts of interest  | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 04                   | RI goals and objectives  | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 05                   | Main goals/objectives this year                                    | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 06                   | RI roles and responsibilities                                      | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 07                   | RI in performance management, reward and/or personal development   | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 08                   | Collaborative organisations / initiatives                          | ✓      | Public     |           |   |   | ✓ | ✓ |   |         |
| SG 09                   | Promoting RI independently   | ✓      | Public     |           |   |   | ✓ |   |   |         |
| SG 10                   | Dialogue with public policy makers or standard setters             | ✓      | Public     |           |   |   | ✓ | ✓ | ✓ |         |
| SG 11                   | ESG issues in strategic asset allocation                           | ✓      | Public     | ✓         |   |   |   |   |   |         |
| SG 12                   | Long term investment risks and opportunity                         | ✓      | Public     | ✓         |   |   |   |   |   |         |
| SG 13                   | Allocation of assets to environmental and social themed areas      | ✓      | Public     | ✓         |   |   |   |   |   |         |
| SG 14                   | ESG issues for internally managed assets not reported in framework | 🔒      | n/a        |           |   |   |   |   |   | ✓       |
| SG 15                   | ESG issues for externally managed assets not reported in framework | 🔒      | n/a        |           |   |   |   |   |   | ✓       |
| SG 16                   | RI/ESG in execution and/or advisory services                       | 🔒      | n/a        | ✓         | ✓ |   |   |   |   |         |
| SG 17                   | Innovative features of approach to RI                              | ✓      | Public     |           |   |   |   |   |   | ✓       |
| SG 18                   | Internal and external review and assurance of responses            | ✓      | Public     |           |   |   |   |   |   | ✓       |

| Direct - Listed Equity Incorporation |  |        |            | Principle |   |   |   |   |   | General |
|--------------------------------------|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator                            | Short description  | Status | Disclosure | 1         | 2 | 3 | 4 | 5 | 6 |         |
| LEI 01                               | Breakdown by passive, quantitative, fundamental and other active strategies  | ✓      | Public     |           |   |   |   |   |   | ✓       |
| LEI 02                               | Reporting on strategies that are <10% of actively managed listed equities    | 🔒      | n/a        |           |   |   |   |   |   | ✓       |
| LEI 03                               | Percentage of each incorporation strategy                                    | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 04                               | Type of ESG information used in investment decision                          | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 05                               | Information from engagement and/or voting used in investment decision-making | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 06                               | Types of screening applied   | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 07                               | Processes to ensure screening is based on robust analysis                    | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 08                               | Processes to ensure fund criteria are not breached                           | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 09                               | Types of sustainability thematic funds/mandates                              | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| LEI 10                               | Review ESG issues while researching companies/sectors                        | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| LEI 11                               | Processes to ensure integration is based on robust analysis                  | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| LEI 12                               | Aspects of analysis ESG information is integrated into                       | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| LEI 13                               | ESG issues in index construction   | 🔒      | n/a        | ✓         |   |   |   |   |   |         |
| LEI 14                               | How ESG incorporation has influenced portfolio composition                   | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 15                               | Measurement of financial and ESG outcomes of ESG incorporation               | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 16                               | Examples of ESG issues that affected your investment view / performance      | ✓      | Public     | ✓         |   |   |   |   |   |         |
| LEI 17                               | Disclosure of approach to ESG incorporation                                  | ✓      | Public     |           | ✓ |   |   |   |   | ✓       |

| Direct - Listed Equity Active Ownership |  |        |            | Principle |   |   |   |   |   | General |
|---|--|--------|------------|-----------|---|---|---|---|---|---------|
| Indicator                               | Short description  | Status | Disclosure | 1         | 2 | 3 | 4 | 5 | 6 |         |
| LEA 01                                  | Description of approach to engagement  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 02                                  | Reasoning for interaction on ESG issues                                      | ✓      | Public     | ✓         | ✓ | ✓ |   |   |   |         |
| LEA 03                                  | Process for identifying and prioritising engagement activities               | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 04                                  | Objectives for engagement activities   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 05                                  | Process for identifying and prioritising collaborative engagement            | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 06                                  | Objectives for engagement activities   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 07                                  | Role in engagement process   | 🔒      | n/a        |           | ✓ |   | ✓ |   |   |         |
| LEA 08                                  | Monitor / discuss service provider information                               | 🔒      | n/a        |           | ✓ |   |   |   | ✓ |         |
| LEA 09                                  | Share insights from engagements with internal/external managers              | ✓      | Public     | ✓         | ✓ |   |   |   |   |         |
| LEA 10                                  | Tracking number of engagements   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 11                                  | Number of companies engaged with, intensity of engagement and effort         | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 12                                  | Engagement methods   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 13                                  | Engagements on E, S and/or G issues  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 14                                  | Companies changing practices / behaviour following engagement                | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 15                                  | Examples of ESG engagements  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 16                                  | Disclosure of approach to ESG engagements                                    | ✓      | Public     |           | ✓ |   |   |   | ✓ |         |
| LEA 17                                  | Voting policy & approach   | ✓      | Public     | ✓         | ✓ | ✓ |   |   |   |         |
| LEA 18                                  | Typical approach to (proxy) voting decisions                                 | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 19                                  | Percentage of voting recommendations reviewed                                | 🔒      | n/a        |           | ✓ |   |   |   |   |         |
| LEA 20                                  | Confirmation of votes  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 21                                  | Securities lending programme   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 22                                  | Informing companies of the rationale of abstaining/voting against management | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 23                                  | Percentage of (proxy) votes cast   | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 24                                  | Proportion of ballot items that were for/against/abstentions                 | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 25                                  | Shareholder resolutions  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 26                                  | Examples of (proxy) voting activities  | ✓      | Public     |           | ✓ |   |   |   |   |         |
| LEA 27                                  | Disclosing voting activities   | ✓      | Public     |           | ✓ |   |   |   | ✓ |         |

# AS Avaron Asset Management

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

<10%

10-50%

>50%

Fund of funds, manager of managers, sub-advised products

Other, specify

Execution and advisory services

OO 02

Mandatory

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

Estonia

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

1

2-5

6-10

>10

OO 02.3

Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

15

OO 03

Mandatory

Descriptive

General

OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

Yes

No

OO 04

Mandatory

Gateway/Peering

General



**OO 04.1** Indicate the year end date for your reporting year.

31/12/2015

**OO 04.2** Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

|               | trillions | billions | millions | thousands | hundreds |
|---------------|-----------|----------|----------|-----------|----------|
| Total AUM     |           |          | 616      | 432       | 441      |
| Currency      | EUR       |          |          |           |          |
| Assets in USD |           |          | 672      | 038       | 235      |

**OO 06**

**Mandatory**

**Descriptive**

**General**

**OO 06.1** To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

☉ Publish our asset class mix as percentage breakdown

|                    | Internally managed (%) | Externally managed (%) |
|--------------------|------------------------|------------------------|
| Listed equity      | 91                     | 0                      |
| Fixed income       | 2                      | 0                      |
| Private equity     | 0                      | 0                      |
| Property           | 0                      | 0                      |
| Infrastructure     | 0                      | 0                      |
| Commodities        | 0                      | 0                      |
| Hedge funds        | 0                      | 0                      |
| Forestry           | 0                      | 0                      |
| Farmland           | 0                      | 0                      |
| Inclusive finance  | 0                      | 0                      |
| Cash               | 7                      | 0                      |
| Other (1), specify | 0                      | 0                      |

|                    |   |   |
|--------------------|---|---|
| Other (2), specify | 0 | 0 |
|--------------------|---|---|

Publish our asset class mix as broad ranges

**OO 06.2** Publish our asset class mix as per attached image [Optional].

**OO 07** Mandatory to Report Voluntary to Disclose Gateway General

**OO 07.1** Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.

|                           |                           |      |
|---------------------------|---------------------------|------|
| <b>Internally managed</b> | SSA                       | 0    |
|                           | Corporate (financial)     | 67   |
|                           | Corporate (non-financial) | 33   |
|                           | Securitised               | 0    |
|                           | Total                     | 100% |

**OO 09** Mandatory to Report Voluntary to Disclose Peering General

**OO 09.1** Indicate the breakdown of your organisation's AUM by market.

| Market breakdown                     | % of AUM   |
|--------------------------------------|--|
| Developed Markets                    | <input type="radio"/> 0%<br><input type="radio"/> <10%<br><input checked="" type="radio"/> 10-50%<br><input type="radio"/> >50 % |
| Emerging, Frontier and Other Markets | <input type="radio"/> 0%<br><input type="radio"/> <10%<br><input type="radio"/> 10-50%<br><input checked="" type="radio"/> >50 % |

|       |           |             |         |
|-------|-----------|-------------|---------|
| OO 10 | Voluntary | Descriptive | General |
|-------|-----------|-------------|---------|

|         |   |
|---------|---|
| OO 10.1 | Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities. |
|---------|---|

Avaron is a boutique asset management company focusing on Eastern European listed equity and fixed income asset classes. Avaron employs value-driven bottom-up investment style with strong emphasis on company quality. Portfolios run by Avaron are benchmark agnostic and have a small and mid-cap bias.

### Gateway asset class implementation indicators

|       |           |         |         |
|-------|-----------|---------|---------|
| OO 11 | Mandatory | Gateway | General |
|-------|-----------|---------|---------|

|         |   |
|---------|---|
| OO 11.1 | Select your direct or indirect ESG incorporation activities your organisation implemented, for listed equities in the reporting year. |
|---------|---|

- We incorporate ESG in our investment decisions on our internally managed assets
- We do not incorporate ESG in our directly managed listed equity and/or we do not address ESG incorporation in our external manager selection, appointment and/or monitoring processes.

|         |   |
|---------|---|
| OO 11.2 | Select your direct or indirect engagement activities your organisation implemented for listed equity in the reporting year. |
|---------|---|

- We engage with companies on ESG issues via our staff, collaborations or service providers
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

|         |  |
|---------|--|
| OO 11.3 | Select your direct or indirect voting activities your organisation implemented for listed equity in the reporting year |
|---------|--|

- We cast our (proxy) votes directly or via dedicated voting providers
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

|       |           |         |         |
|-------|-----------|---------|---------|
| OO 12 | Mandatory | Gateway | General |
|-------|-----------|---------|---------|

**OO 12.1**

Select internally managed asset classes where you implemented responsible investment into your investment decisions and/or your active ownership practices (during the reporting year)

- Fixed income – corporate (financial)
- Fixed income – corporate (non-financial)
- Cash
- None of the above

**OO 12.3a**

If your organisation does not integrate ESG factors into investment decisions on your internally managed assets, explain why not.

Our core investment strategy is Emerging Europe listed equities that accounts for 97% of the AUM. Thus, Avaron Responsible Investment Policy focuses on the listed equity asset class. Within the listed equity strategy fixed income instruments are only used occasionally for additional alpha generation purposes. Fixed income instruments used in the portfolio construction are issued by companies with equity listing in place, that are part of our internal equity research coverage list and thus already governed by our Responsible Investment Policy. As fixed income asset class is not our core focus and accounts for only marginal part of our AUM then we have not implemented a separate responsible investment approach in place for this asset class.

Cash is a residual outcome of our bottom-up portfolio construction process and we do not engage in active cash management. Majority of Avaron's AUM (90% end-2015) is in the form of managed accounts from institutional clients. In such case Avaron does not have discretion over the cash management and in which financial institutions the cash can be held. All our institutional clients that have appointed us to manage their Emerging Europe listed equity mandates have integrated responsible investment principles into their external manager/counterparty etc. selection. Regarding our own funds that account 10% of our AUM almost all (90%+) cash is held at our custodian Swedbank. Since Swedbank is also part of our internal research coverage list, it is also governed by our Responsible Investment Policy.

# AS Avaron Asset Management

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Responsible investment policy

SG 01

Mandatory

Core Assessed

General

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

| Policy components/types  | Coverage by AUM  |
|--|--|
| <input checked="" type="checkbox"/> Policy setting out your overall approach<br><input checked="" type="checkbox"/> Formalised guidelines on environmental factors<br><input checked="" type="checkbox"/> Formalised guidelines on social factors<br><input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors<br><input type="checkbox"/> Asset class-specific guidelines<br><input type="checkbox"/> Sector specific RI guidelines<br><input checked="" type="checkbox"/> Screening / exclusions policy<br><input checked="" type="checkbox"/> Engagement policy<br><input checked="" type="checkbox"/> (Proxy) voting policy<br><input type="checkbox"/> Other, specify (1)<br><input type="checkbox"/> Other, specify(2) | <input type="radio"/> Applicable policies cover all AUM<br><input checked="" type="radio"/> Applicable policies cover a majority of AUM<br><input type="radio"/> Applicable policies cover a minority of AUM |

SG 01.3

Indicate what norms have you used to develop your RI policy.

- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- International Bill of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify (1)

other (1) description

ICGN Global Governance Principles

- Other, specify (2)
- Other, specify (3)
- None of the above

|                |  |
|----------------|--|
| <b>SG 01.4</b> | Provide a brief description of the key elements of your investment policy that covers your responsible investment approach [Optional]. |
|----------------|--|

Avaron has built two ESG layers into its investment process aiming to insure the ESG issues are consistently taken into account when making investment decisions:

1. Negative exclusion based on ethical considerations i.e. sector and/or country exclusion in order to not exceed acceptable levels of involvement in activities considered to be controversial such as weapons, alcohol, tobacco, gambling, adult content and activities in oppressive regimes. Our tolerance level dependent on the specific consideration ranges from 0% to 10% of company's revenues or operating profit.
2. A compliance check of companies with the main principles laid out in the United Nations Global Compact for social and environmental criteria, and separately with governance criteria set in-house. The main aim of this exercise is to filter out companies that have significantly and repeatedly breached the key principles, and assess any potential notable risks related to the long-term business outlook. When detecting incompliance cases we follow "engage or exclude" action.

No

|              |                  |                      |              |
|--------------|------------------|----------------------|--------------|
| <b>SG 02</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 6</b> |
|--------------|------------------|----------------------|--------------|

|                |  |
|----------------|--|
| <b>SG 02.1</b> | Indicate which of your investment policy documents (if any) are publicly available. Provide URL and an attachment of the document. |
|----------------|--|

- Policy setting out your overall approach

|     |
|-----|
| URL |
|-----|

[http://avaron.com/files/PRI/2012.07\\_Avaron\\_SRI\\_policy.pdf](http://avaron.com/files/PRI/2012.07_Avaron_SRI_policy.pdf)

- Formalised guidelines on environmental factors
- Formalised guidelines on social factors
- Formalised guidelines on corporate governance factors
- Screening / exclusions policy
- Engagement policy
- (Proxy) voting policy

|     |
|-----|
| URL |
|-----|

[http://avaron.com/files/PRI/2011.10.10\\_Exercise\\_of\\_voting\\_rights\\_strategy.pdf](http://avaron.com/files/PRI/2011.10.10_Exercise_of_voting_rights_strategy.pdf)

- We do not publicly disclose our investment policy documents

|              |                  |                      |                |
|--------------|------------------|----------------------|----------------|
| <b>SG 03</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>General</b> |
|--------------|------------------|----------------------|----------------|

**SG 03.1**

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

 Yes**SG 03.2**

Describe your policy on managing potential conflicts of interest in the investment process.

Avaron's Internal Policy addresses the conflicts of interest situations within the organization. The Policy determines the overarching principle to act in accordance with the best interests of the client, identifies a list of circumstances that may give rise to a conflict of interest situation and measures adopted to manage such situations. Some of the measures adopted to avoid and manage the conflict of interests situation within the investment process are the following:

- Avaron does not trade on own account (except for small amounts as part of analysts' training programme that is subject to limitations to make sure that client interests are not harmed) to avoid conflicts of interest from Avaron trading on its own account;
- Policy for Personal Transactions of the relevant persons has been adopted that limits the eligible securities and transactions and sets out reporting requirements of personal transactions;
- Prohibition on competition is applicable: the relevant persons are not allowed to be engaged in financial or investment services outside Avaron. The relevant persons are required to regularly submit declarations of economic interests;
- Best Execution Policy has been implemented to ensure the best execution for clients and avoid preferential of specific counterparties.

 No

## Objectives and strategies

**SG 04****Mandatory****Gateway/Core Assessed****General****SG 04.1**

Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not reviewed

**SG 05****Voluntary****Descriptive****General****SG 05.1**

List the main responsible investment objectives that your organisation set for the reporting year.



### Responsible investment processes

- Provide training on ESG incorporation
- Provide training on ESG engagement
- Improved communication of ESG activities within the organisation
- Improved engagement to encourage change with regards to management of ESG issues
- Improved ESG incorporation into investment decision making processes
- Other, specify (1)

Alignment of the responsible investment approach with the requirements of our large managed account clients

### Key performance indicator

1. Number of requests from clients to change our RI approach
2. Cases of our exclusion list not matching the client's one

### Progress achieved

During the reporting period there were no requests from clients to change our RI Policy.

Our clients regularly update their investment exclusion lists based on the evolvement of their RI approach. During the reporting period we were faced with one client excluding all companies that had any exposure to coal mining or coal based generation upon which we decided to change our attitude towards these industries and limit such exposure starting from 2Q 2016.

- Other, specify (2)
- Other, specify (3)

### Financial performance of investments

- Increase portfolio performance by consideration of ESG factors
- Other, specify (1)

### other description (1)

Limit losses incurred by the companies we are invested in from fines and penalties related to environmental offences

### Key performance indicator

Number of fine and penalty events in companies we are invested in related to environmental offences

### Progress achieved

During the reporting period we recorded one occasion whereby a company in our portfolio was fined due to accidental environmental pollution.

- Other, specify (2)
- Other, specify (3)

ESG characteristics of investments

- Over or underweight companies based on ESG characteristics
- Improve ESG ratings of portfolio
- Setting carbon targets for portfolio

Key performance indicator

Develop a database of companies in our internal coverage list that publish carbon emissions.

Progress achieved

Database development in process.

- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Other activities

- Joining and/or participation in RI initiatives

Key performance indicator

Number of collaborative engagements supported that carry importance for Emerging Europe listed equity asset class

Progress achieved

We supported the Sustainable Stock Exchanges Initiative's (SSE) effort to call 61 stock exchanges to put in place a voluntary guidance for issuers on reporting ESG information by the end of 2016. In Emerging Europe Istanbul Stock Exchange has already published its own guidance documents, while Bucharest Stock Exchange has committed to publish them by the end of 2016.

- Encouraging others to join a RI initiative
- Documentation of best practice case studies
- Using case studies to demonstrate engagement and ESG incorporation to clients
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Governance and human resources

SG 06

Mandatory

Core Assessed

General

SG 06.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

**Roles present in your organisation**

- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
- External managers or service providers
- Investor relations
- Other role, specify
- Other role, specify

**SG 06.3** Indicate the number of dedicated responsible investment staff your organisation has.

Number

0

|              |                  |                            |                |
|--------------|------------------|----------------------------|----------------|
| <b>SG 07</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>General</b> |
|--------------|------------------|----------------------------|----------------|

**SG 07.1** Indicate if your organisation’s performance management, reward and/or personal development processes have a responsible investment element.

- Board members/Board of trustees**
- Responsible investment included in personal development and/or training plan
  - None of the above

**Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Portfolio managers**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Investment analysts**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

|                |   |
|----------------|---|
| <b>SG 07.3</b> | Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment. |
|----------------|---|

Avaron is a management owned boutique. All Investment Managers are shareholders of the company and have invested a notable part of thier personal wealth in Avaron investment products. Thus, all senior decision makers are directly motivated by the performance of Avaron and its products. As the underlying reason behind the ESG implementation into the investment process in Avaron is the belief that ESG issues affect the long-term performance of the portfolios, then the motivational scheme of senior staff can be considered to be related to the value added of the ESG analysis.

Investment Analysts variable pay is linked to Avaron performance as a company, and is decided upon their individual performance by their supervisors. Conducting ESG analysis is an integral part of the Analysts' job and is assessed as part of their overall company bottom-up analysis performance. No separate performance criteria related to ESG analysis has been set.

Personal training plans of the staff are set on annual basis during personal performance review and may include also responsible investment related training if deemed necessary.

**Promoting responsible investment**

|              |                  |                      |                |
|--------------|------------------|----------------------|----------------|
| <b>SG 08</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 4,5</b> |
|--------------|------------------|----------------------|----------------|

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

|                |   |
|----------------|---|
| <b>SG 08.1</b> | Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played. |
|----------------|---|

**Select all that apply**

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- AFIC – La Commission ESG
- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Signatory of the CDP investor initiative in 2014.

CDP Forests

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Signatory of the CDP forests program in 2014.

CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Signatory of the CDP water program in 2014.

- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)
- ESG Research Australia
- Eumedion
- EVCA – Responsible Investment Roundtable
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action for the 21st Century
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

|       |           |               |       |
|-------|-----------|---------------|-------|
| SG 09 | Mandatory | Core Assessed | PRI 4 |
|-------|-----------|---------------|-------|

|         |  |
|---------|--|
| SG 09.1 | Indicate if your organisation promotes responsible investment, independently of collaborative initiatives. |
|---------|--|

Yes

**SG 09.2**

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Wrote articles on responsible investment in the media.
- Other, specify

No

|              |                  |                            |                  |
|--------------|------------------|----------------------------|------------------|
| <b>SG 10</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 4,5,6</b> |
|--------------|------------------|----------------------------|------------------|

**SG 10.1**

Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.

- Yes
- No

### Implementation not in other modules

|              |                  |                    |              |
|--------------|------------------|--------------------|--------------|
| <b>SG 11</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 1</b> |
|--------------|------------------|--------------------|--------------|

**SG 11.1**

Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.

- Yes
- No

**SG 11.2**

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

- Yes
- No

|              |  |                    |              |
|--------------|--|--------------------|--------------|
| <b>SG 12</b> | <b>Mandatory to Report Voluntary to Disclose</b> | <b>Descriptive</b> | <b>PRI 1</b> |
|--------------|--|--------------------|--------------|

**SG 12.1**

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you consider.

- Changing demographics
- Climate change

|                |  |
|----------------|--|
| <b>SG 12.2</b> | Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity |
|----------------|--|

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

|                |   |
|----------------|---|
| <b>SG 12.3</b> | Indicate which of the following tools you use to manage emissions risks and opportunities |
|----------------|---|

- Carbon footprinting
  - Scenario testing
  - Disclosure on emissions risk to clients/trustees/management/beneficiaries
  - Target setting for emissions risk reduction
  - Encourage internal and/or external portfolio managers to monitor emissions risk
  - Emissions risk monitoring and reporting are formalised into contracts when appointing managers
  - Other, specify
  - None of the above
- 
- Resource scarcity
  - Technology developments
  - Other, specify(1)
  - Other, specify(2)
  - None of the above

|                |                                   |
|----------------|-----------------------------------|
| <b>SG 12.5</b> | Additional information [Optional] |
|----------------|-----------------------------------|

Portfolio construction in our core asset class (Emerging Europe listed equity) is fully bottom-up driven. As such we do not decide upon any type of general (country, sector, theme etc.) allocation. Long-term ESG related trends are taken into account in our internal company specific research, thus directly affecting the probability of a certain company ending up in our portfolios.

As part of our general RI approach during the reporting period we decided to start limiting our exposure to coal (mining, generation etc.) industry to decrease the carbon footprint of our portfolios. Furthermore, we set a long-term goal to start reporting the carbon footprint of our equity portfolios and started out by mapping our internal investment universe based on carbon emissions disclosure.

|              |  |                    |              |
|--------------|--|--------------------|--------------|
| <b>SG 13</b> | <b>Mandatory to Report Voluntary to Disclose</b> | <b>Descriptive</b> | <b>PRI 1</b> |
|--------------|--|--------------------|--------------|

|                |   |
|----------------|---|
| <b>SG 13.1</b> | Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas. |
|----------------|---|

- Yes
- No



## Innovation

| SG 17 | Voluntary | Descriptive | General |
|-------|-----------|-------------|---------|
|-------|-----------|-------------|---------|

|                |  |
|----------------|--|
| <b>SG 17.1</b> | Indicate whether any specific features of your approach to responsible investment are particularly innovative. |
|----------------|--|

- Yes  
 No

## Assurance of responses

| SG 18 | Voluntary | Additional Assessed | General |
|-------|-----------|---------------------|---------|
|-------|-----------|---------------------|---------|

|                |   |
|----------------|---|
| <b>SG 18.1</b> | Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties. |
|----------------|---|

- Yes

|                |  |
|----------------|--|
| <b>SG 18.2</b> | Indicate who has reviewed, validated and/or assured your reported information. |
|----------------|--|

- Reviewed by Board, CEO, CIO or Investment Committee  
 Validated by internal audit or compliance function  
 Assured by an external independent provider, specify name  
 Other, specify

|                |   |
|----------------|---|
| <b>SG 18.3</b> | Describe the steps you have taken to review, validate and/or assure the content of your reported information. |
|----------------|---|

The report has been validated by the Compliance Officer and reviewed by the Investment Committee and Management Board of Avaron.

- No

# AS Avaron Asset Management

## Reported Information

Public version

Direct - Listed Equity Incorporation

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

|        |   |         |         |
|--------|---|---------|---------|
| LEI 01 | Mandatory to Report Voluntary to Disclose | Gateway | General |
|--------|---|---------|---------|

|          |   |
|----------|---|
| LEI 01.1 | Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies. |
|----------|---|

### Percentage of internally managed listed equities

|      |   |
|------|---|
| 0    | Passive                                 |
| 0    | Active - quantitative (quant)           |
| 100  | Active - fundamental and active - other |
| 100% | Total                                   |

## ESG incorporation in actively managed listed equities


### Implementation processes

|        |           |         |       |
|--------|-----------|---------|-------|
| LEI 03 | Mandatory | Gateway | PRI 1 |
|--------|-----------|---------|-------|

|          |  |
|----------|--|
| LEI 03.1 | Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%) |
|----------|--|

### ESG incorporation strategy (select all that apply)

- Screening alone (i.e. not combined with any other strategies)

|   |   |
|---|---|
| Percentage of active listed equity to which the strategy is applied | <br>100 |
|---|---|

- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening + Integration strategies
- Thematic + integration strategies
- Screening + thematic strategies
- All three strategies combined
- No incorporation strategies applied

Total actively managed listed equities

100%

**LEI 03.2** Describe your organisation’s approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.

ESG factors are mainly considered in the investment decision- making and ownership practices with an aim to reduce investment risk. Screening, which is the main strategy of ESG risk management in Avaron, has proven to be an efficient approach taking into account the cost-benefit considerations that boutique-type houses need to address. At the same time being a bottom-up stock picker it is essential to have an ESG layer integrated into the investment process in order to have a sound and thorough fundamental basis for decision-making

|               |                  |                            |              |
|---------------|------------------|----------------------------|--------------|
| <b>LEI 04</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 1</b> |
|---------------|------------------|----------------------------|--------------|

**LEI 04.1** Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

**Type of ESG information**

- Raw ESG company data

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Company-related analysis or ratings

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Sector-related analysis or ratings
- Country-related analysis or ratings

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Screened stock list

**Indicate who provides this information**

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- ESG issue-specific analysis or ratings
- Other, specify

|                 |   |
|-----------------|---|
| <b>LEI 04.2</b> | Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies. |
|-----------------|---|

ESG information used for the internal analysis is to a large extent sourced directly from the investee companies and/or any other publicly available information sources.

|                 |  |
|-----------------|--|
| <b>LEI 04.3</b> | Indicate if you incentivise brokers to provide ESG research. |
|-----------------|--|

- Yes
- No

|               |                  |                            |              |
|---------------|------------------|----------------------------|--------------|
| <b>LEI 05</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 1</b> |
|---------------|------------------|----------------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEI 05.1</b> | Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making. |
|-----------------|---|

- Engagement
  - We have a systematic process to ensure the information is made available.
  - We occasionally make this information available.
  - We do not make this information available.
- (Proxy) voting
  - We have a systematic process to ensure the information is made available.
  - We occasionally make this information available.
  - We do not make this information available.

**(A) Implementation: Screening**

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEI 06</b> | <b>Mandatory</b> | <b>Descriptive</b> | <b>PRI 1</b> |
|---------------|------------------|--------------------|--------------|

|                 |  |
|-----------------|--|
| <b>LEI 06.1</b> | Indicate and describe the type of screening you apply to your internally managed active listed equities. |
|-----------------|--|

**Type of screening**

- Negative/exclusionary screening

**Screened by**

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

|                    |
|--------------------|
| <b>Description</b> |
|--------------------|

The first layer of our ESG approach is negative exclusion based on ethical considerations i.e. sector and/or country exclusion in order to not exceed acceptable levels of involvement in activities considered to be controversial such as weapons, alcohol, tobacco, gambling, adult content and activities in oppressive regimes. Our tolerance level dependent on the specific consideration ranges from 0% to 10% of company's revenues or operating profit.

The list of oppressive regimes is based on the latest Economist Intelligence Unit ([www.eiu.com](http://www.eiu.com)) Democracy Index, which measures the state of democracy in 167 countries. The index covers five different categories: electoral process and pluralism, functioning of the government, political participation, political culture and civil liberties. Oppressive regimes have been defined as countries with 2.0 or lower score on a scale from zero to ten of the Index. In addition, the European Union restrictive measures within the framework of the Common Foreign and Security Policy and the list of countries identified for sanctions by the UN Security Council are followed on an ongoing basis, with the possibility to make additional exclusions if deemed necessary.

- Positive/best-in-class screening
- Norms-based screening

**Screened by**

- UN Global Compact Principles
- The UN Guiding Principles on Business and Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify  
ICGN Global Governance Principles

|  | Description |
|--|-------------|
|--|-------------|

The second ESG layer - the ESG compliance check - takes the UN Global Compact as a basis for our social and environmental compliance check for the investee companies. The compliance check of corporate governance issues are assessed based on the International Corporate Governance Network Corporate Governance Principles, bearing in mind the possible local differences in the prevailing conduct code.

The companies' ESG compliance assessment, is based on 13 criteria covering environmental, social and governance aspects with the aim to filter out companies that have significantly and repeatedly breached any of the key principles. The criteria are the following:

- Abuses of international and/or local environmental norms and protocols
- Implementation of environmental technologies where applicable
- Activities to promote environmental responsibilities
- Abuses of human rights
- Cases of child labour and forced labour usage
- Safety of working environment and products
- Freedom of association and recognition of the right to collective bargaining
- Cases of corruption, extortion and/or bribery
- Transparency of the business
- Abuses of minority shareholder rights
- Share structure, board composition, independence and remuneration
- Adequate investor communication (availability, sufficiency, quality)
- Reporting and policy framework (formal code of business conduct, ESG policy and reporting)

| LEI 06.2 | Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made. |
|----------|---|
|----------|---|

Avaron's RI Policy, outlining our ESG approach, is reviewed annually and updated on as needed basis. In case of changes in the policy we notify our clients via the quarterly ESG thematic section in our newsletters and in our annual RI report. Latest version of the policy is accessible on our webpage.

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEI 07</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 1</b> |
|---------------|------------------|----------------------|--------------|

**LEI 07.1**

Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify  
  - Avaron's Investment Committee validates the ESG analysis in the case of all new portfolio investments.
- None of the above

**LEI 07.2**

Additional information. [Optional]

In Avaron portfolio construction is fully bottom-up driven. Stock selection is done based on the in-house company specific research. A lot of emphasis is put on company quality (i.e. management, business model, financial standing, ESG), which has over the years enabled us to build an internal Emerging Europe coverage universe of roughly 250 companies. ESG research is an integral part of the company analysis our investment team undertakes. We believe that our edge in generating attractive investment returns for our clients is based on the diligent and in-depth company level research approach. Given that this specific accumulated knowledge is strategically important with ESG analysis being one part of it, we have decided to build the ESG related competence of our investment team also in-house and not to rely on third-party service providers.

**LEI 08**

Voluntary

Additional Assessed

PRI 1

**LEI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached

- Systematic checks are performed to ensure that stocks meet the funds' screening criteria.
- Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- Audits of fund holdings are undertaken regularly by internal audit function
- Other, specify
- None of the above

**LEI 08.2**

If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

In case of breaches on sector/country exclusions (first ESG layer) once a breach is detected the position will be liquidated.

Breaches on companies' ESG compliance (second ESG layer) automatically trigger "engage or exclude" action. Furtheron, the responsible Analyst shall assess the gravity/severity of the breach, namely:

- the temporal proximity (when and for how long has the incident occurred);
- size (financial costs, land polluted etc. associated with the incident);
- credibility (allegations, legal action taken etc.);
- and repetitiveness (is the incident a one-off incident or it is evidence of failings over a period of time).



Emphasis is also placed on a company's response to the incident with favourable consideration for positive and responsible practices taken by the company to ensure that such a breach does not occur again. For some controversial activities, in addition to the level of involvement, it is also important to consider how the company approaches and considers its potentially contentious activities. Therefore, the presence (or absence) of relevant and targeted responsible policy that acknowledges the company's involvement in an activity, as well as the existence of systems and practices taken to ensure that it operates in a responsible manner, are important elements in the assessment.

Should the ESG compliance breach occur for companies Avaron is currently invested in, then after the initial breach analysis is completed, the responsible Investment Manager shall bring the case in front of the Investment Committee that decides upon further action. In case the engagement option is excluded, the investment will be liquidated. If engagement will be pursued then the objective and timeline for the engagement will be decided upon and engagement process started. Should the investee company fail to address the raised issue within a reasonable timeframe, the investment will be liquidated.

## Outputs and outcomes

|        |           |             |       |
|--------|-----------|-------------|-------|
| LEI 14 | Voluntary | Descriptive | PRI 1 |
|--------|-----------|-------------|-------|

|          |   |
|----------|---|
| LEI 14.1 | Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe. |
|----------|---|

Screening

Describe any reduction in your starting investment universe or other effects.

Negative screening has reduced the number of companies in our investment universe mostly based on insufficient governance but also based on sector (e.g. arms production, gambling, tobacco, alcohol) and country exposure (e.g. Emerging Europe companies having substantial business interests in Syria)

Specify the percentage reduction (+/- 5%)

%

10

|          |                         |
|----------|-------------------------|
| LEI 14.2 | Additional information. |
|----------|-------------------------|

In addition, Avaron uses a quality score to rank companies in terms of quality in our coverage universe on 0-100 scale. Governance issues are also additionally assessed as part of the quality score. Quality score is taken into account in portfolio construction - the lower the quality, the higher upside we require in order the company to be added to the portfolio. Low quality names with a score below 50 are not eligible to invest in.

|        |           |                     |       |
|--------|-----------|---------------------|-------|
| LEI 15 | Voluntary | Additional Assessed | PRI 1 |
|--------|-----------|---------------------|-------|

**LEI 15.1**

Indicate whether your organisation measures how your approach to ESG issues in listed equity investments has affected financial and/or ESG performance.

- We measure whether our approach to ESG issues impacts funds' reputation
- We measure whether our approach to ESG issues impacts funds' financial performance: return

**b) Funds' financial performance: return**

| Describe the impact on:                     | Describe the impact   | Which strategies were analysed?               |
|---|---|---|
| <b>Funds' financial performance: return</b> | <input type="radio"/> Positive<br><input type="radio"/> Negative<br><input type="radio"/> No impact | <input checked="" type="checkbox"/> Screening |

- We measure whether our approach to ESG issues impacts funds' financial performance: risk

**c) Funds' financial performance: risk**

| Describe the impact on:                   | Describe the impact  | Which strategies were analysed?               |
|---|--|---|
| <b>Funds' financial performance: risk</b> | <input checked="" type="radio"/> Positive<br><input type="radio"/> Negative<br><input type="radio"/> No impact | <input checked="" type="checkbox"/> Screening |

- We measure whether our approach to ESG issues impacts funds' ESG performance
- None of the above

**LEI 15.2**

Describe how you are able to determine these outcomes.

We measure 1YR, 3YR and 5YR returns and volatility of the equal weighted portfolio of excluded companies and compare it to Avaron Emerging Europe Fund. Total net returns of our Fund are consistently higher compared to the portfolio of excluded names: 1YR +5% vs -11%, 3YR +32% vs -13%, 5YR +30% vs +4%. Across the mentioned periods also the volatility of the returns is around 30% lower.

**LEI 16**

Voluntary

Descriptive

PRI 1

**LEI 16.1**

Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.

- ESG issue 1

|  |
|--|
| ESG issue and explanation  |
| Exposure to gambling and lottery. During the reporting year Greece was included into our Emerging Europe geographic universe. Based on our low tolerance towards the industry negative screening was applied to define our internal coverage universe in Greece. |
| ESG incorporation strategy applied   |
| <input checked="" type="checkbox"/> Screening  |
| Impact on investment decision or performance   |
| Excluded 2 Greek companies from our internal coverage universe: Intralot SA, OPAP SA   |

- ESG issue 2
- ESG issue 3
- ESG issue 4
- ESG issue 5

## Communication

|        |           |               |         |
|--------|-----------|---------------|---------|
| LEI 17 | Mandatory | Core Assessed | PRI 2,6 |
|--------|-----------|---------------|---------|

**LEI 17.1** Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

- We disclose it publicly

Provide URL

<http://www.avaron.com/?id=2250>

**LEI 17.2** Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes

**LEI 17.3** Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

**LEI 17.4**

Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries

# AS Avaron Asset Management

## Reported Information

### Public version

### Direct - Listed Equity Active Ownership

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Engagement

### Overview

|        |           |               |       |
|--------|-----------|---------------|-------|
| LEA 01 | Mandatory | Core Assessed | PRI 2 |
|--------|-----------|---------------|-------|

**LEA 01.1** Indicate whether your organisation has a formal engagement policy.

- Yes  
 No

**LEA 01.5** Additional information [optional]

We do not have a separate formal engagement practice, instead engagement related practises are outlined in our Responsible Investment Policy ([http://www.avaron.com/files/PRI/2012.07\\_Avaron\\_SRI\\_policy.pdf](http://www.avaron.com/files/PRI/2012.07_Avaron_SRI_policy.pdf)).

|        |           |         |           |
|--------|-----------|---------|-----------|
| LEA 02 | Mandatory | Gateway | PRI 1,2,3 |
|--------|-----------|---------|-----------|

**LEA 02.1** Indicate your reasons for interacting with companies on ESG issues and indicate who carries these interactions out.

| Type of engagement                           | Reason for interaction  |
|--|---|
| <b>Individual/Internal staff engagements</b> | <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues<br><input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure<br><input type="checkbox"/> Other, specify<br><input type="checkbox"/> We do not engage via internal staff            |
| <b>Collaborative engagements</b>             | <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues<br><input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure<br><input type="checkbox"/> Other, specify<br><input type="checkbox"/> We do not engage via collaborative engagements |
| <b>Service provider engagements</b>          | <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues<br><input type="checkbox"/> To encourage improved/increased ESG disclosure<br><input type="checkbox"/> Other, specify<br><input checked="" type="checkbox"/> We do not engage via service providers                    |

### Process

## Process for engagements run internally

LEA 03

Mandatory

Core Assessed

PRI 2

LEA 03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

Yes

LEA 03.2

Describe the criteria used to identify and prioritise engagement activities carried out by internal staff.

- Geography/market of the companies targeted
- Materiality of ESG factors
- Systemic risks to global portfolios
- Exposure (holdings)
- In reaction to ESG impacts which has already taken place
- As a response to divestment pressure
- Other, describe

No

LEA 03.3

Additional information. [Optional]

Engagement is pursued in case the in-house ESG analysis indicates a breach with the internally set ESG criteria for companies in our internal coverage universe. The breach triggers "engage or exclude" action. Engagement activities are prioritised based upon the assessment of the severity of the breach. After the breach has been detected the responsible investment team member shall assess the gravity/severity of the breach, namely:

- the temporal proximity (when and for how long has the incident occurred);
- size (financial costs, land polluted etc. associated with the incident);
- credibility (allegations, legal action taken etc.);
- and repetitiveness (is the incident a one-off incident or it is evidence of systematic failings over a period of time).

Emphasis is also placed on a company's response to the incident, with favourable consideration for positive and responsible practices taken by the company to ensure that such a breach does not occur again. For some controversial activities, in addition to the level of involvement, it is also important to consider how the company approaches and considers its potentially contentious activities. Therefore, the presence (or absence) of relevant and targeted responsible policy that acknowledges the company's involvement in an activity, as well as the existence of systems and practices taken to ensure that it operates in a responsible manner, are important elements in the assessment. If the company fails to address our concerns within a reasonable timeframe we exclude it from our investment universe.

LEA 04

Mandatory

Core Assessed

PRI 2

**LEA 04.1** Indicate if you define specific objectives for your engagement activities.

- Yes
  - Yes, for all engagement activities
  - Yes, for the majority of engagement activities
  - Yes, for a minority of engagement activities
- No

**LEA 04.2** Indicate if you monitor the actions that companies take following your engagements.

- Yes
  - Yes, in all cases
  - Yes, in the majority of cases
  - Yes, in the minority of cases
- No

**LEA 04.3** Indicate whether your organisation defines milestones and goals for engagement activities carried out by internal staff.

- Yes
- No

**LEA 04.5** Additional information. [Optional]

Once a certain issue has been raised with a company, including also an indication of the timeframe within we expect action to be taken, we monitor the progress via keeping an active dialogue with the management.

## Process for engagements conducted via collaborations

**LEA 05**

**Mandatory**

**Core Assessed**

**PRI 2**

**LEA 05.1** Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements

- Yes
- No

**LEA 05.3** Additional information [Optional]

Avaron participates in collaborative engagements only if these have material effect on our core investment universe, Emerging Europe listed equities.

**LEA 06**

**Mandatory**

**Core Assessed**

**PRI 2**



**LEA 06.1** Indicate if the collaborative engagements in which you are involved have defined objectives.

- Yes
  - Yes, for all engagement activities
  - Yes, for the majority of engagement activities
  - Yes, for a minority of engagement activities
- No

**LEA 06.2** Indicate if you monitor the actions companies take following your collaborative engagements.

- Yes
  - Yes, in all cases
  - Yes, in the majority of cases
  - Yes, in the minority of cases
- No

**LEA 06.3** Indicate whether your organisation defines milestones and goals related to engagement activities carried out via collaborations.

- Yes
- No

### General processes for all three groups of engagers

**LEA 09** Voluntary Additional Assessed PRI 1,2

**LEA 09.1** Indicate if insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.

| Type of engagement                           | Insights shared   |
|--|---|
| <b>Individual/Internal staff engagements</b> | <input checked="" type="radio"/> Yes, systematically<br><input type="radio"/> Yes, occasionally<br><input type="radio"/> No |
| <b>Collaborative engagements</b>             | <input type="radio"/> Yes, systematically<br><input checked="" type="radio"/> Yes, occasionally<br><input type="radio"/> No |

**LEA 10** Mandatory Gateway PRI 2

**LEA 10.1** Indicate if you track the number of engagements your organisation participates in.

| Type of engagement                      | Tracking engagements   |
|---|--|
| Individual / Internal staff engagements | <input checked="" type="radio"/> Yes, we track the number of our engagements in full<br><input type="radio"/> Yes, we partially track the number of our engagements<br><input type="radio"/> We do not track                                     |
| Collaborative engagements               | <input checked="" type="radio"/> Yes, we track the number of our engagements in full<br><input type="radio"/> Yes, we partially track the number of our engagements<br><input type="radio"/> We do not track and cannot estimate our engagements |

## Outputs and outcomes

|        |   |               |       |
|--------|---|---------------|-------|
| LEA 11 | Mandatory to Report Voluntary to Disclose | Core Assessed | PRI 2 |
|--------|---|---------------|-------|

|          |  |
|----------|--|
| LEA 11.1 | Indicate the number of companies with which your organisation engaged during the reporting year. |
|----------|--|

|   | Number of companies engaged<br>(avoid double counting, see explanatory notes)           | Proportion (to the nearest 5%)   | Specify the basis on which this percentage is calculated   |
|---|---|--|--|
| Individual / Internal staff engagements | <div style="border: 1px solid black; padding: 2px;">Number of companies engaged</div> 1 | <div style="border: 1px solid black; padding: 2px;">Proportion (to the nearest 5%)</div> 2 | <div style="border: 1px solid black; padding: 2px;">Specify the basis on which this percentage is calculated</div> <input checked="" type="radio"/> of the total number of companies you hold<br><input type="radio"/> of the total value of your listed equity holdings |
| Collaborative engagements               | 0   | <div style="border: 1px solid black; padding: 2px;">Proportion (to the nearest 5%)</div> 0 | <div style="border: 1px solid black; padding: 2px;">Specify the basis on which this percentage is calculated</div> <input checked="" type="radio"/> of the total number of companies you hold<br><input type="radio"/> of the total value of your listed equity holdings |

|          |   |
|----------|---|
| LEA 11.2 | Indicate the proportion of engagements that involved multiple, substantive and detailed discussions or interactions with a company during the reporting year relating to ESG issue. |
|----------|---|

| Type of engagement                      | % Comprehensive engagements  |
|---|--|
| Individual / Internal staff engagements | <input checked="" type="radio"/> > 50%<br><input type="radio"/> 10-50%<br><input type="radio"/> <10%<br><input type="radio"/> None |
| Collaborative engagements               | <input type="radio"/> >50%<br><input type="radio"/> 10-50%<br><input type="radio"/> <10%<br><input checked="" type="radio"/> None  |

**LEA 11.3** Indicate the percentage of your collaborative engagements for which you were a leading organisation during the reporting year.

| Type of engagement        | % Leading role  |
|---------------------------|---|
| Collaborative engagements | <input type="radio"/> >50%<br><input type="radio"/> 10-50%<br><input type="radio"/> <10%<br><input checked="" type="radio"/> None |

**LEA 12** Voluntary Additional Assessed PRI 2

**LEA 12.1** Indicate if your engagement involved:

- Letters to outline the engagement and the objectives
  - In some cases
  - In majority cases
  - In all cases
- Meetings and/or calls with the appropriate team
  - In some cases
  - In majority cases
  - In all cases
- Visits to operations
- Roadshows
- ESG research
- Other, specify

**LEA 13** Voluntary Additional Assessed PRI 2

**LEA 13.1** Indicate if your engagements in the reporting year covered E, S and/or G issues.

| Type of engagement                      | Coverage   |
|---|--|
| Individual / Internal staff engagements | <input checked="" type="checkbox"/> Environmental<br><input type="checkbox"/> Social<br><input type="checkbox"/> Corporate Governance<br><input type="checkbox"/> We do not track this information |
| Collaborative engagements               | <input type="checkbox"/> Environmental<br><input type="checkbox"/> Social<br><input type="checkbox"/> Corporate Governance<br><input type="checkbox"/> We do not track this information            |

**LEA 13.2** Provide an estimated breakdown by E, S and/or G issues.

Individual / Internal staff engagements

% Environmental only

100

**100%**

Collaborative engagements

**100%**

**LEA 13.3** Additional information. [optional]

We did not participate in any collaborative engagements during the reporting year.

| LEA 14 | Voluntary | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

**LEA 14.1** Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company changed its practices, or made a formal commitment to do so, following your organisation's and/or your service provider's engagement activities.

☉ Yes

**LEA 14.2** Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.

|   | Number of company changes or commitments to change |
|---|--|
| Individual / Internal staff engagements | 1  |
| Collaborative engagements               |  |

No

| LEA 15 | Voluntary | Descriptive | PRI 2 |
|--------|-----------|-------------|-------|
|--------|-----------|-------------|-------|

|          |   |  |  |
|----------|---|--|--|
| LEA 15.1 | Provide examples of the engagements that your organisation carried out during the reporting year. |  |  |
|----------|---|--|--|

Add Example 1

|                    |  |
|--------------------|--|
| Topic or ESG issue | Environment: River pollution by an intergated oil & gas company in Romania due to an oil spill from the transport pipe   |
| Conducted by       | <input checked="" type="checkbox"/> Individual / Internal<br><input type="checkbox"/> Collaborative  |
| Objectives         | 3. To assess the potential financial impact on the company<br>4. To assess the risk of similar future events   |
| Scope and Process  | After the pollution event we contacted the company via e-mail outlining our questions and reasoning for the engagement. After the receipt of the fromal response from the company, we also had a follow-up meeting with the company representatives to discuss some of aspects of the issue in detail.   |
| Outcomes           | We decided to keep the company in our investment universe as we considered their reaction to the event swift and professional, and were given assurance that an investment project has been put in place to renew the critical parts of the pipeline. In addition, the company has a long-term ongoing pipeline integrity program in place that should substantially mitigate any spillage events in the future. |

- Add Example 2
- Add Example 3
- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

## Communication

LEA 16

Mandatory

Core Assessed

PRI 2,6

LEA 16.1

Indicate whether your organisation proactively discloses information on its engagements.

- We disclose it publicly
- We disclose it to clients and/or beneficiaries only

LEA 16.5

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

## Engagement information disclosed

- Details of the selections, priorities and specific goals of engagement
- Number of engagements
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the engagement
- Outcomes that have been achieved from the engagement
- Other information

### LEA 16.6

Indicate how frequently you typically report engagements information

- Disclosed continuously (prior to and post engagements)
  - Disclosed quarterly or more frequently
  - Disclosed biannually
  - Disclosed annually
  - Disclosed less frequently than annually
  - Ad hoc/when requested
- We do not proactively disclose it to the public and/or clients/beneficiaries.

### LEA 16.8

Additional information. [Optional]

Information on engagements are disclosed on quarterly basis in the ESG themed section in our investor newsletter and in our annual RI report.

## (Proxy) voting and shareholder resolutions

### Overview

LEA 17

Mandatory

Gateway

PRI 1,2,3

### LEA 17.1

Indicate whether your organisation has a formal voting policy.

- Yes

**LEA 17.2** Indicate what your voting policy covers:

- Conflicts of interest
- Prioritisation of voting activities
- Transparency
- Decision making processes
- Environmental factors
- Social factors
- Governance factors
- Securities lending process
- Other, describe
- None of the above

**LEA 17.3** Please attach or provide a URL to your voting policy. [Optional]

URL

[http://www.avaron.com/files/PRI/2011.10.10\\_Exercise\\_of\\_voting\\_rights\\_strategy.pdf](http://www.avaron.com/files/PRI/2011.10.10_Exercise_of_voting_rights_strategy.pdf)

**LEA 17.4** Provide a brief overview of your organization’s approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

Avaron normally participates on behalf of the managed portfolios where it holds the right to exercise ownership rights, in shareholders' meetings, according to the level of advantage that this participation would bring to the portfolios, as well as for the opportunity to affect decisions. We participate in all shareholders' meetings where the portfolios that carry ownership rights in aggregate hold 5% or more of the company's share capital. If the set limit is not exceeded, then participation and voting rights shall be exercised if required by the need to safeguard the interest of the clients.

No

**Process**

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 18</b> | <b>Mandatory</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

**LEA 18.1** Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

Approach

☉ We use our own research or voting team and make our own voting decisions without the use of service providers.



**Based primarily on**

- our own voting policy
- our clients' requests or policy
- other, explain

We hire service provider(s) that make voting recommendations or provide research that we use to inform our voting decisions.

We hire service provider(s) that make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

We hire service provider(s) that make voting decisions on our behalf.

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 20</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

**LEA 20.1** To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you do the following.

- Obtain end-to-end confirmation that votes have been lodged
  - for a majority of cases
  - for a minority of cases
- Participate in projects to improve the voting trail and/or to obtain vote confirmation
- None of the above

**LEA 20.2** Provide additional information on your organisation's vote confirmation efforts.

We primarily cast our votes through the global custodian who provides us confirmation on cast votes. In case of direct voting we opt to get confirmation from the company directly if deemed necessary.

|               |                  |                            |              |
|---------------|------------------|----------------------------|--------------|
| <b>LEA 21</b> | <b>Voluntary</b> | <b>Additional Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------------|--------------|

**LEA 21.1** Indicate if your organisation has a securities lending programme.

- Yes
- No

**LEA 21.3** Please explain the rationale behind not having a securities lending programme

Majority of our AUM (90%) is in the form of managed accounts where the ownership rights are exercised by the asset owners directly.

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEA 22</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------|--------------|

|                 |   |
|-----------------|---|
| <b>LEA 22.1</b> | Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations. |
|-----------------|---|

- Yes, in most cases
- Sometimes, in the following cases:
- No
- Not applicable as we and/or our service providers do not abstain or vote against management recommendations

|                 |                                    |
|-----------------|------------------------------------|
| <b>LEA 22.2</b> | Additional information. [Optional] |
|-----------------|------------------------------------|

In case of abstaining or voting against the management recommendations the aim is to send a clear message to the company, thus in most cases we also communicate the rationale to the management of the company.

## Outputs and outcomes

|               |                  |                      |              |
|---------------|------------------|----------------------|--------------|
| <b>LEA 23</b> | <b>Mandatory</b> | <b>Core Assessed</b> | <b>PRI 2</b> |
|---------------|------------------|----------------------|--------------|

|                 |  |
|-----------------|--|
| <b>LEA 23.1</b> | For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year. |
|-----------------|--|

- We do track or collect this information

|  |                                |
|--|--------------------------------|
|  | Votes cast (to the nearest 1%) |
|--|--------------------------------|

|  |   |
|--|---|
|  | % |
|--|---|

34

|  |  |
|--|--|
|  | Specify the basis on which this percentage is calculated |
|--|--|

- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted

|                 |  |
|-----------------|--|
| <b>LEA 23.2</b> | If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional] |
|-----------------|--|

We participate in all shareholders' meetings where the portfolios that carry ownership rights in aggregate hold 5% or more of the company's share capital. If the set limit is not exceeded, then participation and voting rights shall be exercised if required by the need to safeguard the interest of the clients.

- We do not track or collect this information

|                 |                                    |
|-----------------|------------------------------------|
| <b>LEA 23.3</b> | Additional information. [Optional] |
|-----------------|------------------------------------|




Data reported here does not include managed accounts where asset owners exercise the ownership rights on their own.

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 24</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

|                 |  |
|-----------------|--|
| <b>LEA 24.1</b> | Indicate if you track the voting instructions that you and/or your third party have issued on your behalf. |
|-----------------|--|

Yes, we track this information

|                 |   |
|-----------------|---|
| <b>LEA 24.2</b> | Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were: |
|-----------------|---|

| Voting instructions                           | Breakdown as percentage of votes cast   |
|---|---|
| For (supporting) management recommendations   | <br>87  |
| Against (opposing) management recommendations | <br>8 |
| Abstentions                                   | <br>5 |

100%

|                 |   |
|-----------------|---|
| <b>LEA 24.3</b> | For the reporting year, describe your approach towards voting on shareholder resolutions. |
|-----------------|---|

Avaron normally participates on behalf of the managed portfolios where it holds the right to exercise ownership rights, in shareholders' meetings, according to the level of advantage that this participation would bring to the portfolios, as well as for the opportunity to affect decisions. We participate in all shareholders' meetings where the portfolios that carry ownership rights in aggregate hold 5% or more of the company's share capital. If the set limit is not exceeded, then participation and voting rights shall be exercised if required by the need to safeguard the interest of the clients.

No, we do not track this information

|               |                  |                    |              |
|---------------|------------------|--------------------|--------------|
| <b>LEA 25</b> | <b>Voluntary</b> | <b>Descriptive</b> | <b>PRI 2</b> |
|---------------|------------------|--------------------|--------------|

**LEA 25.1** Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

- Yes
- No

**LEA 26** Voluntary Descriptive PRI 2

**LEA 26.1** Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

- Add Example 1

|                    |  |
|--------------------|--|
| Topic or ESG issue | Governance   |
| Decision made by   | <input checked="" type="checkbox"/> Internal staff<br><input type="checkbox"/> Service provider  |
| Objectives         | Reduction of the threshold for the attainment of controlling interest  |
| Scope and Process  | Management of the Austrian real estate company Immofinanz proposed to reduce the threshold for the attainment of controlling interest as defined in the section 22 para 2 Austrian Takeover Act to 15% at the EGM. Avaron voted FOR as lower threshold is more favourable to financial shareholders in the case of potential corporate action. |
| Outcomes           | The threshold was lowered to 15%   |

- Add Example 2
- Add Example 3
- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

**Communication**

**LEA 27** Mandatory Core Assessed PRI 2,6

**LEA 27.1**

Indicate if your organisation proactively discloses information on your voting activities.

- We disclose it publicly
- We disclose it to clients/beneficiaries only

**LEA 27.5**

Indicate the voting information your organisation proactively discloses to clients/beneficiaries.

Indicate how much of your voting record you disclose

- All voting decisions
- Some voting decisions
- Only abstentions and opposing vote decisions
- Summary of votes only

Indicate what level of explanation you provide

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

**LEA 27.6**

Indicate how frequently you typically report voting information.

- Continuously (primarily before meetings)
  - Continuously (soon after votes are cast)
  - Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad hoc/as requested
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

**LEA 27.8**

Additional information. [Optional]

Voting activity is disclosed to the clients once a year in the themed quarterly ESG section of our monthly newsletters and in our annual RI report.